

Chairperson: Steve Cady, 278-4347

Clerk: Jodi Mapp, 278-4073

## **SELECT COMMITTEE ON DEFERRED COMPENSATION**

**Monday, February 13, 2006 – 9:00 a.m.**

**Milwaukee County Courthouse - Room 203-P**

### **MINUTES**

**CASSETTE #: 8; Side B, 180 to EOT**

**9; Side A, 001 to EOT**

**9; Side B, 001 to EOT**

**PRESENT:** \*Mark Grady, Emily Van Dunk, Rick Ceschin, Veronica Britt, and Steve Cady (Chair)

\*The Corporation Counsel appointed Mark Grady to replace Mary Ann Grimes who will be unavailable to serve on the Committee for an indeterminate period of time.

### **SCHEDULED ITEMS:**

**\*\* CLOSED SESSION \*\***

**The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).**

1. 06DC1 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

8/B-203 **There were no appeals.**

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2. 06DC2 From Virchow Krause & Company, regarding fee reconciliation review of third party administrator charges. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

### **APPEARANCES:**

Howard Marklein, Virchow Krause & Company

Craig Nemeth, Virchow Krause & Company

Jerome Heer, Director of Audits

## SCHEDULED ITEMS (CONTINUED):

8/B-217 Mr. Marklein explained that there was a misunderstanding between Milwaukee County and Great-West regarding the calculation of charges. A settlement arrangement was made between the two, and Virchow Krause & Company was engaged to take an independent look at the settlement and produce a report (copy attached to original minutes). Mr. Marklein went over their findings in regards to the settlement. He indicated that as far as the number of participants were concerned, there were occasionally differences in the number of participants in the plan in various work papers. It was determined that Great-West took a conservative approach and always used the lower number in developing this settlement calculation, which was in the County's favor.

Mr. Marklein stated that there were very minor differences regarding Great-West's detail calculations, which in the aggregate totaled \$50. He indicated that Virchow Krause & Company was very comfortable with the clerical accuracy of the settlement. The number of participants, the account values, and the fees charged all appeared to be reasonable. The summary reports all reconcile, so they did not see any variances there. The total deposited from the period 10/01/94 to 06/30/05 appeared to be appropriate and was deposited into the County's forfeiture account on 08/15/05. The interest that was calculated appeared to be calculated appropriately. Virchow Krause & Company did extend the scope of their work to include the final quarter, because it was made available, ending 09/30/05. That also was properly reconciled and the appropriate deposit was made into the County's forfeiture account.

8/B-275 The Chairman expressed the need for better external monitoring to be in place. Mr. Heer agreed and stated that because of the size and complexity of the plan, it would make sense to have some sort of annual review. Mr. Heer indicated that a full-blown audit would not be necessary. However, if a series of relatively high-risk areas within the plan could be identified, they could be put on a cycle for review. The Chairman indicated that if the Committee would like, he would work with the Director of Audits and perhaps Virchow Krause to do a formal risk assessment and bring that back to the Committee. The Chairman would then work with the Director of Audits to develop an RFP for this Committee's approval. The Committee agreed.

***ACTION BY: (Ceschin) Work with Director of Audits, Corporation Counsel, and possibly an external consulting firm to conduct a risk assessment for the purposes of developing an organized plan review. 5-0***

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) – 5

**NOES:** 0

### SCHEDULED ITEMS (CONTINUED):

3. 05DC25 From Ennis Knupp and Associates, recommending revisions to the State of Investment Policy and Investment Guidelines of the Milwaukee County Plan of Deferred Compensation. **(Laid over from 11/14/05 meeting.)**

**APPEARANCES:**

Russ Ivinjack, Ennis Knupp and Associates

Laurel Nicholson, Ennis Knupp and Associates

- 8/B-376 Mr. Ivinjack made reference to the Statement of Investment Policy (copy attached to original of minutes) and indicated that the intent of updating the policy was to reflect changes made in the fund lineup and to simplify it. Specific guidelines for many of the mutual fund options in the plan are run according to their prospectus. The specific guidelines that the County had for the mutual fund options didn't apply to the funds because they're supposed to adhere to the prospectus guidelines as they register with the SEC. The key aspects of the Investment Policy Statement are still in place.

Mr. Ivinjack went on to discuss the purpose of the plan, types of investment options offered, policies and constraints of the Stable Value Fund and the Money Market Fund, monitoring of each of the investment options, periodic reviews of each of the funds in the program, and the individual participant responsibility. He also touched base upon the individual investment guidelines that will be used for the funds, the benchmarks, and what the objectives are for each of the funds.

Questions and comments ensued.

**ACTION BY: (Ceschin) Move approval of the plan document with the expectation that Ennis Knupp will provide additional language under the monitoring section of the document. 5-0**

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) – 5

**NOES:** 0

4. 06DC3 From Department of Administrative Services-Information Management Services Division (DAS-IMSD) and Ceridian Corporation, regarding the status of the proposed human resource and payroll interface with the County's Deferred Compensation program. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCE:**

Hugh Morris, Business Systems Project Manager, Information Management Services (DAS)

## SCHEDULED ITEMS (CONTINUED):

9/A-105 Mr. Morris indicated that he met with Paul Corchado from Great-West and Kelly Nesemann who is the Project Manager from Ceridian. The meeting addressed what the plan is to interface with Great-West. What is being proposed is that County employees use the existing Great-West interface to do their enrollments, manage their investments, review the performance of said investments, and to assign their beneficiaries. It is also being proposed that a link be placed on the self-service portion of the Ceridian site that will come up for employees that will allow them to link directly to the Great-West site. The information that is being exchanged is demographic information from the Ceridian System and in return, there are deductions whether it is an add, change, or delete that comes back to the Ceridian payroll system. Mr. Morris referred to the diagram (copy attached to original minutes) that he distributed to the Committee. He also discussed items that need further work. They are getting a demographic file layout from Great-West to Ceridian, getting a deduction interface layout from Ceridian to Great-West, and Mr. Morris would like the Committee to consider what information is going to be shared with Great-West. In the plan to implement Ceridian, the system would track active employees only. Mr. Morris indicated that the system would not be maintaining retirees' records. He recommended getting a separate interface from Vitech to track retirees.

Questions and comments ensued.

9/A-318 The Chairman stated that he would follow-up by obtaining information from in-house and outside counsel regarding the legality on transferring demographic information as far as confidentiality is concerned. He also stated that he would start to engage with the Vitech people.

***The Committee took no action regarding this informational report.***

5. 06DC4 Discussion on whether a Request for Proposals (RFP) process should be initiated so that the current contract for third party administrator services could be terminated after September 30, 2006.

9/A-334 The Chairman referred everyone to the memo (copy attached to original minutes) that he wrote addressing the current contract with Great-West. He indicated that their contract would automatically renew for an additional year unless they are notified in writing by March 30, 2006, that the Committee would be doing a Request for Proposals (RFP) process. The Chairman stated that bringing this forward is in no way speaking about the performance of the current record keeper. However, it will be twelve years into this contract, and it seems appropriate to consider putting the contract out for public bid. He commented that there's probably no way a thorough RFP process could be done even if the process began immediately to have a new record keeper in place beginning October 1, 2006. If the incumbent record keeper were not selected, Great-West

## SCHEDULED ITEMS (CONTINUED):

would work with whoever was selected for a smooth transition so that the roll out would be the least disruptive to the County and its participants.

***ACTION BY: (Van Dunk) Move to reject the initiation of the Request for Proposals (RFP) process at this time. 5-0***

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) – 5

**NOES:** 0

### **\*\* CLOSED SESSION \*\***

**The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(e), for the purpose of discussing the following matter. The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter.**

6. 06DC5 Proposal from Ennis Knupp and Associates, outlining consulting services to assist the County in a Request for Proposals (RFP) process for third party administrator duties.

#### **APPEARANCES:**

Russ Ivinjack, Ennis Knupp and Associates

Laurel Nicholson, Ennis Knupp and Associates

Ennis Knupp and Associates provided the Committee with a report (copy attached to original minutes) outlining their proposed process, services, and fees to identify a third party administrator for Milwaukee County's Deferred Compensation Plan. They structured the plan in a way that would give this Committee a lot of hands on review with the proposals.

- 9/A-418 Mr. Ivinjack began the presentation by explaining in detail exactly what services Ennis Knupp and Associates offer. Ms. Nicholson walked the Committee through the report submitted by reviewing all documents included which are the overview letter that details fees for the project, a sample work plan, a sample request for proposal, and a sample search document. Mr. Ivinjack did advise the Committee that going through a payroll conversion at the same time you are going through a defined contribution provider conversion will be very difficult, and the likelihood of errors occurring are magnified. Ennis Knupp usually advise their clients to get the payroll conversion up and running and in place. Everything should be smoothed out enough so if a different vendor is selected or if you stay with the current vendor, it will be a fairly easy process. He stated that the worse thing that could happen to a defined contribution plan is there is an administrative blow up and people lose confidence in the plan itself. It's always better to have the systems in place first and foremost.

## SCHEDULED ITEMS (CONTINUED):

Questions and comments ensued.

***ACTION BY: (Van Dunk) Adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(c), (e), (g), for the purpose of discussing Item #6 above. At the conclusion of the closed session, the Committee may reconvene in open session to take whatever action(s) it may deem necessary on the aforesaid item. 5-0***

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) - 5

**NOES:** 0

The Committee convened into closed session at approximately 10:15 a.m. and reconvened in open session at approximately 10:45 a.m. The roll call was taken and all Committee Members were present.

***ACTION BY: (Van Dunk) Lay item over to the call of the Chair. 5-0***

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) – 5

**NOES:** 0

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7. 06DC6 Fourth Quarter 2005 Performance Report from Ennis Knupp and Associates.  
**(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

**APPEARANCES:**

Russ Ivinjack, Ennis Knupp and Associates

Laurel Nicholson, Ennis Knupp and Associates

- 9/A-687 Mr. Ivinjack and Ms. Nicholson gave the Committee an update on the Fourth Quarter Performance Report and the Milwaukee County Deferred Compensation Plan Performance Update Return Summary Ending 01/31/2006 (copies attached to the original minutes) emphasizing the areas of Market Environment, Fixed Income Funds, Balanced Funds, U.S. Stock Funds, and Non-U.S. Stock Funds.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

8. 06DC7 From Ennis Knupp and Associates, providing an analysis of the J.P. Morgan Capital Growth Fund. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

## SCHEDULED ITEMS (CONTINUED):

### **APPEARANCES:**

Russ Ivinjack, Ennis Knupp and Associates

Laurel Nicholson, Ennis Knupp and Associates

- 9/B-306 Ms. Nicholson indicated that because of the fund's less than stellar performance, they took a look at how it compared to other mutual funds that employ a similar style and capitalization strategy. Ennis Knupp found that compared to mid-cap growth funds with a similar style, J.P. Morgan has generated an above average return and a near-average level of risk. Overall, Ms. Nicholson indicated that performance has been adequate.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

9. 06DC8 From Great-West Retirement Services, regarding Stable Value Fund activities since the transfer restriction was lifted. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

### **APPEARANCES:**

Duane Jeffers, Great-West Retirement Services

Paul Corchado, Great West Retirement Services

- 9/B-436 Mr. Jeffers announced that the Great-West team is now complete and took time to introduce the Committee to new staff members. The staff changes are reflected in a memo (copy attached to original minutes) distributed by Mr. Jeffers.

- 9/B-484 Mr. Corchado referred the Committee to the Milwaukee County Stable Value Fund report (copy attached to the original minutes), which is comprised of a summary of securities and a graph. He spoke about collateralized mortgage obligations, book value, market value, the duration, and the returns and credited rates, which cover what the fees are, what the current yield is, and what the net yield is to participants. Mr. Corchado went on to explain transactions to or from the Custom Stable Value Fund.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

10. 06DC9 Fourth Quarter 2005 Summary Report on Milwaukee County's Deferred Compensation Plan from Great-West Retirement Services. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

## SCHEDULED ITEMS (CONTINUED):

### **APPEARANCE:**

Paul Corchado, Great-West Retirement Services

- 9/B-556 Mr. Corchado invited the Committee to visit the EMJAY facility and attend a Fiduciary Responsibilities Workshop in March or April at a time that is convenient for the Committee members. Mr. Corchado also offered the Committee to participate in a Lifecycle/Lifestyle Mutual Funds presentation.

Mr. Corchado continued by referring the Committee to the Fourth Quarter 2005 Summary Report and an additional letter (copies attached to the original minutes) distributed regarding participant information. Because the majority of the information supplied in this document was covered in previous items on the agenda, Mr. Corchado focused on Reality Investing. He discussed what three tiers of the services are, how it's behaviorally based, what the fee structure is, and participant growth.

Questions and comments ensued.

***The Committee took no action regarding this informational report.***

11. 06DC10 From Great-West Retirement Services and Ennis Knupp and Associates, regarding continuing education opportunities. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

### **APPEARANCE:**

Laurel Nicholson, Ennis Knupp and Associates

- 9/B-658 Ms. Nicholson referred the Committee to the information provided (copy attached to original minutes) on their annual client conference, which will be May 31<sup>st</sup> through June 1<sup>st</sup> with a sample agenda and quarterly client educational sessions that also included a sample agenda.

- 9/B-672 The Chairman also commented that Mr. Choice, from Reinhart Boerner, offered the availability of his firm for additional fiduciary training to the Committee.

Questions and comments ensued.

***ACTION BY: (Ceschin) Move to approve reimbursement of travel and lodging for participation in the Ennis Knupp client conference on May 31<sup>st</sup> through June 1<sup>st</sup>. 5-0***

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) – 5

**NOES:** 0



## SCHEDULED ITEMS (CONTINUED):

12. 06DC11 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:

- May 22, 2006
- July 31, 2006
- November 13, 2006
- February 12, 2007

- 9/B-711 The Chairman announced the next regularly scheduled meeting date of May 22, 2006. He indicated that if there were any hardship withdrawal requests that would require for the Committee to meet before then, everyone will be notified.

### ADDENDUM ITEM

13. 05DC30 From Great-West Retirement Services, regarding preferred method of response to abusive trading by Plan participants. **(Laid over from 11/14/05 meeting.)**

#### **APPEARANCES:**

Paul Corchado, Great-West Retirement Services  
Darryl Collier, Great-West Retirement Services  
Attorney Ben Choice, Reinhart Boerner

- 8/B-620 Mr. Corchado began by explaining that since the last meeting in November, Great-West has updated its abusive trading policy (copy attached to original minutes), which outlines three options. Mr. Corchado presented the options to the Committee.

- 8/B-643 The Chairman indicated that the Committee previously recommended that the policy be reviewed by outside legal counsel. Attorney Choice, a representative of the law firm of Reinhart Boerner, addressed the Committee regarding his review of the document. He noted two issues. First, an option needs to be selected amongst the three offered. The second point that was raised was the issue of communication. It has to be made sure that the consequences are communicated to participants regarding the buying and selling in and out of a fund. It should be more than just a letter after the fact. Participants should be given some kind of up front disclosure. Mr. Choice suggested a possible note on the web page where people make investment selections have a reference to abusive trading indicating limitations and restrictions.

- 8/B679 Mr. Collier indicated that Great-West does have the capability to have a pop up screen that has the fund restrictions. If a fund is going to levy some type of redemption fee, it actually gives them an estimate of what it's going to be before they commit to the transaction, so participants are well aware of any possible negative impact on their trading activity. The redemption fee will apply to any

## SCHEDULED ITEMS (CONTINUED):

participant that goes in and out of a fund in a period less than sixty days. The redemption fee will be two percent of the amount of the transaction, and it will be withheld as a penalty for breaching the trade agreement. The pop up screen is already being rolled out.

Mr. Corchado added that what Great-West has done is liberalize the procedure which would now restrict people to just paper only trades. This new procedure would only restrict them to that one fund, where as before, all activity would be put on a paper trade basis. You were restricted as an individual. Now, you are only restricted with that particular fund. The individual is still free to trade amongst the other funds and access those funds electronically. This is seen as an improvement and not as restrictive on the violator.

Questions and comments ensued.

***ACTION BY: (Grady) Move to adopt Option (1) which would be a blanket policy for all unbundled funds and incorporate said Option into the Policy Statement. 5-0***

**AYES:** Grady, Van Dunk, Ceschin, Britt and Cady (Chair) – 5

**NOES:** 0

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### STAFF PRESENT:

Jerome Heer, Director of Audits

Hugh Morris, Business Systems Project Manager, Information Management Services (DAS)

This meeting was recorded on tape. The foregoing items were not necessarily considered in agenda order. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes is available in the County Board Committee Services Division.

Length of meeting: 9:03 a.m. to 12:03 p.m.

Adjourned,

*Jodi Kapp*

Committee Clerk

Select Committee on Deferred Compensation